

**Statement of Kyle E. McSlarrow  
Deputy Secretary  
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Before the Subcommittee on Government Efficiency and Financial Management  
Committee on Government Reform  
U.S. House of Representatives  
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Mr. Chairman, Members of the Subcommittee, I am pleased to be here to discuss the Department of Energy's progress in achieving the goals of the President's Management Agenda (PMA), especially how we are integrating performance and budget.

When the President issued his management agenda in 2001, it was immediately embraced by Secretary Abraham and the Department's leadership team as an opportunity to make critical management reforms. The first PMA scorecard released by the Office of Management and Budget rated the Department as "red" in the status column for all five PMA initiatives. Three years later, in the most recent scorecard, the Department received all "yellow" ratings.

The reason is simple: the President's vision for ensuring that the federal government is efficiently run and results-oriented forced the Department to make management improvement a top priority. As a result of the President's leadership, we are seeing results and continue our progress toward making the Department performance-driven.

**DOE President's Management Agenda Highlights**

The Department has accomplished a great deal in implementing the President's Management Agenda over the past three years.

In the area of human capital, we have restructured our performance management system to link performance achievement with mission accomplishment and developed comprehensive workforce and succession management plans. We have also launched project management certification programs to ensure employees managing multi-million dollar projects have the skills they need to manage projects on cost, on schedule, and within performance targets.

In the area of competitive sourcing, we have completed three A-76 studies which will result in savings of about \$34 million over a five-year period. The Department's in-house team won two of these competitions, including a recent competition to deliver financial services, which is a testament to the quality of the Department's staff.

With regard to financial management, we have received an unqualified audit opinion for five straight years and have no material weaknesses. In addition, we have

met OMB's accelerated due dates for producing financial statements and will continue to do so.

In the area of e-government, we established an enterprise architecture and have made major strides in standardizing our information technology infrastructure. We have also developed solid business cases for most of our information technology systems and are instituting quarterly reviews of major systems projects to ensure they are on schedule and cost and are meeting performance targets. In addition, we have launched an initiative to build an integrated business management system. The first modules, which cover finance and accounting, will become operational by the end of the year.

Improving the way we manage IT and other major projects is one of the Department's biggest priorities. The Secretary and I have personally invested significant time and energy in this critical effort and are holding the Department's senior leadership accountable for results.

We have taken several important steps to strengthen project management. We issued a departmental directive that establishes a common Department-wide framework for managing capital asset acquisitions and a manual that provides detailed guidance and procedures. Each month I receive a project status report which identifies all under-performing projects in the Department's portfolio. I meet personally with the senior leaders responsible for these projects and discuss with them strategies to get the project back on track.

Each year, the Department spends billions of taxpayer dollars on large projects. As the Department's Chief Operating Officer, it is my responsibility to ensure that these projects are managed efficiently. I take this responsibility seriously and will continue to make improving project management a top priority.

While all of the PMA initiatives are important, the initiative with the greatest impact on the Department is budget and performance integration. This initiative has reinforced the principles of the Government Performance and Results Act of 1993 and has forced us to plan, measure, and think in terms of results and accountability.

Over the last three years we have made significant progress in the area of budget and performance integration. We have issued a new strategic plan which reflects the Department's overarching mission to advance the national, economic and energy security of the United States and includes milestones toward achieving that mission. The Department of Energy's section of the FY 2005 President's budget request is based upon the Department's strategic plan and displays how each dollar we spend supports our goals in the areas of national and energy security, world-class scientific research, and environmental management.

We have also integrated the Annual Performance Plan, which includes performance measures for departmental programs and operations, into the FY 2005 President's budget proposal. By combining our budget request with the performance

plan, we have established a clear linkage between the dollars we request from Congress and the benefits provided to the public.

The budget request also includes efficiency and effectiveness measures which will provide the senior leadership and Congress two important pieces of information: first, how effective the Department is at meeting its overall mission, and, second, how efficiently the Department is using its resources in order to meet that mission. We routinely review and utilize this performance data to assist managerial and budget decision making.

The Department's ability to effectively measure its performance has improved significantly over the past three years. At that time, both our inspector general and an independent audit cited deficiencies with the Department's performance measures and expressed concern that these deficiencies limit stakeholders' ability to assess our performance. Specifically, they indicated that many of our performance goals were not sufficiently outcome-oriented, relevant, or quantifiable. As a result of a concerted effort to improve our performance measures, the inspector general has withdrawn his earlier concerns.

To ensure that the drive toward greater accountability cascades down through the Department, we are also holding our employees, from senior executives to general schedule employees, responsible for supporting the agency's mission and goals. Performance appraisals and any subsequent awards are based on the individual's contribution to the agency's overall performance and results.

### **Program Assessment Rating Tool**

An innovation in budget and performance integration that the Department is fully utilizing to improve program management and ensure better use of taxpayer dollars is the Program Assessment Rating Tool, or PART. This tool was developed and introduced by OMB in 2002 to support PMA goals by fostering a more disciplined approach to assessing program performance.

PART is an evidence-based tool that looks at past, present, and future activities of programs and helps identify how they can be improved. Its value is that it forces programs to systematically evaluate their performance based on results, not process. It also provides a standard set of review criteria for government-wide application which allows improved consistency

Programs reviewed through the PART receive a rating which is considered in making budget and management decisions. However, PART scores are not the only factor in making budget decisions. Other factors, such as policy objectives, Administration priorities, and economic trends, are considered as well. Similarly, a PART score alone does not necessarily determine whether a program needs more or less funding. For example, lower than expected PART scores for the Department's environmental clean-up program highlighted the need for a more aggressive approach

with more clearly agreed-upon milestones. Increased funding for the program was recommended to implement the turnaround strategy.

PART ratings also help to make government more transparent to citizens. PART ratings create a public report card, which is posted on the internet to inform the public on how effectively their tax dollars are being spent.

In accordance with the Government Performance and Results Act (GPRA) of 1993, the government must maintain public accountability, in a consistent manner, across all federal programs. The PART process is helping the government fulfill that mandate in ways beyond the requirements of GPRA. For all of its forward thinking, GPRA does not include a forcing mechanism to validate the quality of performance measures or to require managers to be accountable for meeting commitments. This resulted in poorly developed performance measures that were not focused on outcomes.

PART addresses these shortcomings and strengthens GPRA by requiring managers to report on results (one-half of the total PART score is based on demonstrated results) and mandating that performance data into budget justifications. This also improves the quality of performance measures by ensuring alignment between program activities and agency mission.

Codifying a requirement that federal programs be assessed would strengthen GPRA and ensure that the effort to increase accountability is continued. However, it is important that OMB and the agencies have the flexibility to determine how assessments are to be conducted. This will accommodate changing needs and allow the use of evolving methodologies in measuring performance.

The Department of Energy has embraced the PART approach. To date, we have conducted PART reviews for over half of our programs (covering over 60 percent of the Department's FY 2003 funding). We will continue on an ambitious schedule of PART assessments and will use the results to help make better informed programmatic, budget and management decisions.

## **Looking Ahead**

While the Department has made significant progress in implementing the President's Management Agenda, many challenges lie ahead. At a recent conference with senior leaders from headquarters and the field, the Secretary and I made clear that we expected the Department to achieve most of the PMA goals this year.

Highlights of what we will accomplish include:

- Developing and beginning implementation of a long-term plan for competitive sourcing,
- Deploying the Department's new core financial system and data warehouse,

- Completing internal reviews of all major IT investments to ensure they are consistently on cost and schedule and meet performance targets,
- Increasing the number of certified project managers to ensure that DOE projects are managed using advanced techniques, such as earned value management, and
- Improving program performance as demonstrated by better PART scores.

I believe that the biggest challenge will be to reshape the Department's workforce as employees retire. Improving recruitment, training and retention will be a major focus at the Department for the next several years.

To ensure our success, I meet monthly with my management council, which is composed of the Department's senior leaders, to discuss the progress their organizations are making in implementing PMA initiatives. I also conduct quarterly management reviews to evaluate the performance of each organization and issue scorecards rating their progress. Since much of the Department's mission is accomplished through its contractors, especially our laboratories, I have asked the laboratories to designate coordinators to implement PMA principles. Through these and other steps, I am confident we will meet the President's expectations for management reform.

## **Conclusion**

In conclusion, I appreciate the opportunity to testify before the subcommittee on the Department's efforts to become a model for management excellence within the Federal government. We look forward to continuing to work with OMB and the Congress in the coming months and years on these issues as we move aggressively to achieve greater results.